

**REPORT OF THE AUDIT OF THE
CARLISLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
CARLISLE COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Carlisle County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Carlisle County Fiscal Court.

Financial Condition:

The Carlisle County Fiscal Court had total receipts of \$4,478,389 and disbursements of \$5,622,554 in fiscal year 2015. This resulted in a total ending fund balance of \$722,393, which is a decrease of \$1,088,565 from the prior year.

Report Comments:

- 2015-001 Weak Internal Controls Over Capital Assets Resulted In The Omission Of Capital Asset Additions From The County's Schedule Of Capital Assets
- 2015-002 Weak Internal Controls Over Debt And Debt Service Resulted In The Misstatement Of Outstanding Debt Balances
- 2015-003 The County Failed To Report Receipts And Disbursements Associated With The County's Ambulance Building

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Greg Terry, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Carlisle County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Carlisle County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



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Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by Carlisle County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Carlisle County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Carlisle County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matter

As discussed in Note 10 to the financial statement, Carlisle County has actual deficit fund balances in its General and Road funds totaling \$50,782. The deficit balances are the cumulative result of interfund payables created when restricted funds were transferred and used for general expenditures of the county. Management does not have a plan to ensure the restricted funds are transferred back to the appropriate funds. The financial statement does not include any adjustments for these interfund payables. This matter does not affect our opinion on the financial statements.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Carlisle County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Other Matters (Continued)

The accompanying budgetary comparison schedules and capital asset schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the financial statement as a whole.

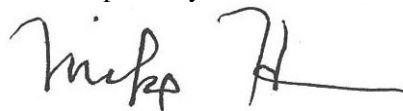
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2016 on our consideration of Carlisle County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carlisle County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2015-001 Weak Internal Controls Over Capital Assets Resulted In The Omission Of Capital Asset Additions From The County's Schedule Of Capital Assets
- 2015-002 Weak Internal Controls Over Debt And Debt Service Resulted In The Misstatement Of Outstanding Debt Balances
- 2015-003 The County Failed To Report Receipts And Disbursements Associated With The County's Ambulance Building

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

April 20, 2016

CARLISLE COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Greg Terry	County Judge/Executive
Burley Mathis	Magistrate
James Pearson	Magistrate
Lloyd Presson	Magistrate

Other Elected Officials:

Michael Hogancamp	County Attorney
Ronny Owens	Jailer
Michael Toon	County Clerk
Kevin Hoskins	Circuit Court Clerk
Steve Perry	Sheriff
Jonathan Bruer	Property Valuation Administrator
Steve Freeman	Coroner

Appointed Personnel:

Susan Bailey	County Treasurer
Brandi Webb	Finance Officer

CARLISLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

CARLISLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 480,749	\$	\$
In Lieu Tax Payments	39,564		
Excess Fees	20,926		
Licenses and Permits	14,370	20	
Intergovernmental	295,396	1,242,904	96,394
Charges for Services			
Miscellaneous	53,139	37,072	1,461
Interest	1,855	1,224	467
Total Receipts	<u>905,999</u>	<u>1,281,220</u>	<u>98,322</u>
DISBURSEMENTS			
General Government	778,329		
Protection to Persons and Property	338		75,147
General Health and Sanitation		22,981	
Recreation and Culture	22,041		
Roads		1,072,804	
Debt Service	10,890	1,700	
Capital Projects		11,084	
Administration	236,100	127,460	10,329
Total Disbursements	<u>1,047,698</u>	<u>1,236,029</u>	<u>85,476</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(141,699)</u>	<u>45,191</u>	<u>12,846</u>
Other Adjustments to Cash (Uses)			
Lease Proceeds	35,600	20,000	
Transfers From Other Funds	188,092	40,600	600
Transfers To Other Funds	(151,992)	(163,200)	(53,900)
Total Other Adjustments to Cash (Uses)	<u>71,700</u>	<u>(102,600)</u>	<u>(53,300)</u>
Net Change in Fund Balance	(69,999)	(57,409)	(40,454)
Fund Balance - Beginning (Restated)	72,194	57,732	46,833
Fund Balance - Ending	<u>\$ 2,195</u>	<u>\$ 323</u>	<u>\$ 6,379</u>
Composition of Fund Balance			
Bank Balance	\$ 2,313	\$ 619	\$ 1,578
Less: Outstanding Checks	(118)	(296)	(799)
Certificates of Deposit			5,600
Fund Balance - Ending	<u>\$ 2,195</u>	<u>\$ 323</u>	<u>\$ 6,379</u>

The accompanying notes are an integral part of the financial statement.

CARLISLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Disaster and Emergency Services Fund	Ambulance Fund	Community Development Block Grant Fund	911 Fund	Homeland Security Fund
\$	\$	\$ 184,976	\$	\$ 147,393	\$
		2,490			
3	11,126	10,000	325,600	126,246	31,454
		332,211		10	
		234,367		1,846	
		2,236		2	
<u>3</u>	<u>11,126</u>	<u>766,280</u>	<u>325,600</u>	<u>275,497</u>	<u>31,454</u>
	33,390	499,145		338,210	8,221
3,264					
		84,197			
		1,389,062			
	7,227	38,079		55,563	
<u>3,264</u>	<u>40,617</u>	<u>2,010,483</u>		<u>393,773</u>	<u>8,221</u>
<u>(3,261)</u>	<u>(29,491)</u>	<u>(1,244,203)</u>	<u>325,600</u>	<u>(118,276)</u>	<u>23,233</u>
3,260	25,605	380,462		150,450	8,221
		(36,144)	(325,600)	(35,000)	(31,454)
<u>3,260</u>	<u>25,605</u>	<u>344,318</u>	<u>(325,600)</u>	<u>115,450</u>	<u>(23,233)</u>
(1)	(3,886)	(899,885)		(2,826)	
11	3,878	1,085,126		3,107	
<u>\$ 10</u>	<u>\$ (8)</u>	<u>\$ 185,241</u>	<u>\$ 0</u>	<u>\$ 281</u>	<u>\$ 0</u>
\$ 10	\$ 50	\$ 75,555	\$	\$ 281	\$
	(58)	(47)			
		109,733			
<u>\$ 10</u>	<u>\$ (8)</u>	<u>\$ 185,241</u>	<u>\$ 0</u>	<u>\$ 281</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statement.

CARLISLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	<u>Unbudgeted Fund</u>	
	Public Properties Corporation Fund	Total Funds
RECEIPTS		
Taxes	\$	\$ 813,118
In Lieu Tax Payments		39,564
Excess Fees		20,926
Licenses and Permits		16,880
Intergovernmental	782,833	2,921,956
Charges for Services		332,221
Miscellaneous		327,885
Interest	55	5,839
Total Receipts	<u>782,888</u>	<u>4,478,389</u>
DISBURSEMENTS		
General Government		778,329
Protection to Persons and Property		954,451
General Health and Sanitation		26,245
Recreation and Culture		22,041
Roads		1,072,804
Debt Service	782,833	879,620
Capital Projects	14,160	1,414,306
Administration		474,758
Total Disbursements	<u>796,993</u>	<u>5,622,554</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(14,105)</u>	<u>(1,144,165)</u>
Other Adjustments to Cash (Uses)		
Lease Proceeds		55,600
Transfers From Other Funds		797,290
Transfers To Other Funds		(797,290)
Total Other Adjustments to Cash (Uses)		<u>55,600</u>
Net Change in Fund Balance	(14,105)	(1,088,565)
Fund Balance - Beginning (Restated)	<u>542,077</u>	<u>1,810,958</u>
Fund Balance - Ending	<u>\$ 527,972</u>	<u>\$ 722,393</u>
Composition of Fund Balance		
Bank Balance	\$ 527,972	\$ 608,378
Less Outstanding Checks		(1,318)
Certificates of Deposit		115,333
Ending Fund Balance	<u>\$ 527,972</u>	<u>\$ 722,393</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Carlisle County includes all budgeted and unbudgeted funds under the control of the Carlisle County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the Fiscal Court in the acquisition and financing of any public project which may be undertaken by the Fiscal Court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the Fiscal Court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The following entities: Carlisle County Industrial Development Authority would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The Fiscal Court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Disaster and Emergency Services Fund - The primary purpose of this fund is to account for expenses related to disasters and emergency events. The primary sources of receipts for this fund are grants from the state and federal governments.

Ambulance Fund - The primary purpose of this fund is to account for the operation of the ambulance services provided by the county.

Community Development Block Grant Fund - The primary purpose of this fund is to account for grant funds received under the Community Development Block Grant program.

911 Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary source of receipts for this fund is 911 surcharges.

Homeland Security Fund - The primary purpose of this fund is to account for services and equipment in the event of a disaster situation. The primary sources of receipts for this fund are federal and state grants.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Public Properties Corporation Fund - The purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Carlisle County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Carlisle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Carlisle County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Road Fund	Jail Fund	Ambulance Fund	CDBG Fund	911 Fund	Homeland Security Fund	Total Transfers In
General Fund	\$	\$ 163,200	\$ 13,300	\$	\$	\$	\$ 11,592	\$ 188,092
Road Fund			40,600					40,600
Jail Fund	600							600
LGEA Fund	3,260							3,260
DES Fund	25,605							25,605
Ambulance Fund					325,600	35,000	19,862	380,462
911 Fund	115,450			35,000				150,450
Homeland Security Fund	7,077			1,144				8,221
Total Transfers Out	<u>\$ 151,992</u>	<u>\$ 163,200</u>	<u>\$ 53,900</u>	<u>\$ 36,144</u>	<u>\$ 325,600</u>	<u>\$ 35,000</u>	<u>\$ 31,454</u>	<u>\$ 797,290</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Short-term Debt

A. Kentucky Association of Counties Leasing Trust (KAColt)

The Carlisle County Fiscal Court entered into an agreement on May 15, 2015 with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of purchasing a dozer for the Carlisle County Road Department. The principal of the lease is \$20,000 with a maturity date of May 20, 2016 and monthly payments of \$1,700. As of June 30, 2015 Carlisle County is in compliance with the lease agreement, with an outstanding balance of \$18,383. This balance will be paid in full by May 2016.

B. Changes In Short-term Debt

Short-term Debt activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Financing Obligations	\$	\$ 20,000	\$ 1,617	\$ 18,383	\$ 18,383
Total Short-term Debt	\$ 0	\$ 20,000	\$ 1,617	\$ 18,383	\$ 18,383

Note 5. Long-term Debt

A. First Mortgage Revenue Bonds Series 2009 (Courthouse Project)

The Carlisle County Public Properties Corporation issued First Mortgage Revenue Bonds Series 2009 dated September 1, 2009 for \$10,770,000 to be used for the construction of the Carlisle County Courthouse. Interest is payable semi-annually for 20 years and varies from 1.0 percent to 4.0 percent. The Carlisle County Public Properties Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned lease. As of June 30, 2015 Carlisle County is in compliance with the bond agreement. The principal balance as of June 30, 2015 was \$8,500,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 485,000	\$ 300,880
2017	495,000	286,908
2018	515,000	271,758
2019	530,000	256,082
2020	545,000	239,413
2021-2025	3,040,000	883,316
2026-2029	2,890,000	241,300
Totals	<u>\$ 8,500,000</u>	<u>\$ 2,479,657</u>

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

B. Kentucky Association of Counties Finance Corporation – Extension Office and Ambulance Building

The Carlisle County Fiscal Court entered into a financing agreement on December 13, 2013 with Kentucky Association of Counties Finance Corporation for the purpose of construction of the Carlisle County Extension Office and Emergency Ambulance Service Building. Interest is paid semi-annually for 30 years with an assumed interest rate of 3 percent to 4.5 percent. Carlisle County has subleased half of the building to the Carlisle County Extension Office, and the Extension Office is providing the fifty percent of the debt service payments as prescribed in the aforementioned lease. As of June 30, 2015 Carlisle County is in compliance with the bond agreement. The principal balance as of June 30, 2015 was \$1,320,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 10,000	\$ 58,030
2017	25,000	57,705
2018	30,000	56,893
2019	30,000	55,917
2020	30,000	54,943
2021-2025	165,000	259,425
2026-2030	190,000	225,642
2031-2035	245,000	178,838
2036-2040	300,000	116,237
2041-2044	295,000	37,463
Totals	<u>\$ 1,320,000</u>	<u>\$ 1,101,093</u>

C. Kentucky Association of Counties Leasing Trust (KAColt) – Sheriff's Vehicle

The Carlisle County Fiscal Court entered into a financing agreement on February 26, 2014 with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of purchasing a vehicle for the Carlisle County Sheriff's office. Principal and interest are paid monthly for 36 months with an assumed interest rate of 3.5 percent. As of June 30, 2015 Carlisle County is in compliance with the lease agreement. The principal balance as of June 30, 2015 was \$14,427. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 8,136	\$ 375
2017	6,291	92
Totals	<u>\$ 14,427</u>	<u>\$ 467</u>

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

D. Kentucky Association of Counties Financing Corporation (KAColt) – Tahoes

The Carlisle County Fiscal Court entered into a financing agreement on March 3, 2015 with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of purchasing two Tahoes, one for the Carlisle County Fiscal Court and one for the Ambulance Service. Interest is paid monthly for 60 months with an assumed interest rate of 3.5 percent. As of June 30, 2015 Carlisle County is in compliance with the lease agreement. The principal balance as of June 30, 2015 was \$33,559. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 8,553	\$ 964
2017	8,836	682
2018	9,127	390
2019	<u>7,043</u>	<u>96</u>
Totals	<u>\$ 33,559</u>	<u>\$ 2,132</u>

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 8,970,000	\$	\$ 470,000	\$ 8,500,000	\$ 485,000
Financing Obligations	<u>1,367,283</u>	<u>35,600</u>	<u>34,897</u>	<u>1,367,986</u>	<u>26,689</u>
Total Long-term Debt	<u>\$ 10,337,283</u>	<u>\$ 35,600</u>	<u>\$ 504,897</u>	<u>\$ 9,867,986</u>	<u>\$ 511,689</u>

Note 6. Employee Retirement System

A. Plan Description

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System (Continued)

A. Plan Description (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$201,471, FY 2014 was \$209,487, and FY 2015 was \$198,262.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System (Continued)

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The net pension liability for all employers participating in CERS was as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Carlisle County's proportionate share of the net pension liability as of June 30, 2015 is:

	June 30, 2014	June 30, 2015
Non-Hazardous	\$ 1,739,000	\$ 1,537,000
Total	<u>\$ 1,739,000</u>	<u>\$ 1,537,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

Note 7. Deferred Compensation

For the year ended June 30, 2015, the Carlisle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary. Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2015, Carlisle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Health Reimbursement Account

The Carlisle Fiscal Court established a health reimbursement account on July 1, 2013 to provide employees an additional health benefit. The County has contracted with Febco, Inc., a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$2,000 each year to pay for qualified medical expenses. The account balance as of June 30, 2015 was \$11,900.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 10. Restricted Funds

Near the conclusion of the fiscal year ended June 30, 2015, the Carlisle Fiscal Court transferred restricted funds from the Jail Fund to both the General Fund and Road Fund. A net total of \$12,700 was transferred to the General Fund, and a net total of \$40,600 was transferred to the Road Fund. Since these funds are restricted by statute, they are due back to the Jail Fund. Because the financial statement does not disclose receivables and payables of the County's funds, the true fund balances are not reflected. Had these receivables and payables been disclosed, the General Fund would have an actual fund deficit of \$10,505, while the Road Fund would have an actual fund deficit of \$40,277.

Note 11. Prior Period Adjustments

General Fund:

Ending Cash Balance Prior Year	\$ 67,319
Prior Year Voided Checks	<u>4,875</u>
Ending Cash Balance Prior Year (adjusted)	<u><u>\$ 72,194</u></u>

Ambulance Fund:

Ending Cash Balance Prior Year	\$ 1,085,124
Prior Year Voided Checks	<u>2</u>
Ending Cash Balance Prior Year (adjusted)	<u><u>\$ 1,085,126</u></u>

Note 12. Fund Balance - Deficits

As of June 30, 2015, the Disaster and Emergency Services (DES) Fund had a deficit balance in the amount of \$8. This deficit was due to a voided check from the prior year that cleared the bank. This deficit was eliminated with the deposit of funds after June 30, 2015.

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CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 504,000	\$ 521,017	\$ 480,749	\$ (40,268)
In Lieu Tax Payments	37,000	39,564	39,564	
Excess Fees	6,000	26,926	20,926	(6,000)
Licenses and Permits	43,000	43,000	14,370	(28,630)
Intergovernmental	542,717	542,717	295,396	(247,321)
Miscellaneous	17,700	48,099	53,139	5,040
Interest	8,000	9,500	1,855	(7,645)
Total Receipts	<u>1,158,417</u>	<u>1,230,823</u>	<u>905,999</u>	<u>(324,824)</u>
DISBURSEMENTS				
General Government	859,652	980,645	778,329	202,316
Protection to Persons and Property	1,388	1,388	338	1,050
General Health and Sanitation	1,020	1,020		1,020
Social Services	763	763		763
Recreation and Culture	45,000	45,000	22,041	22,959
Debt Service	15,000	15,000	10,890	4,110
Administration	439,122	395,535	236,100	159,435
Total Disbursements	<u>1,361,945</u>	<u>1,439,351</u>	<u>1,047,698</u>	<u>391,653</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(203,528)</u>	<u>(208,528)</u>	<u>(141,699)</u>	<u>66,829</u>
Other Adjustments to Cash (Uses)				
Lease Proceeds		40,000	35,600	(4,400)
Transfers From Other Funds	204,285	224,285	188,092	(36,193)
Transfers To Other Funds	<u>(251,257)</u>	<u>(311,257)</u>	<u>(151,992)</u>	<u>159,265</u>
Total Other Adjustments to Cash (Uses)	<u>(46,972)</u>	<u>(46,972)</u>	<u>71,700</u>	<u>118,672</u>
Net Change in Fund Balance	(250,500)	(255,500)	(69,999)	185,501
Fund Balance Beginning (Restated)	<u>250,500</u>	<u>255,500</u>	<u>72,194</u>	<u>(183,306)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,195</u>	<u>\$ 2,195</u>

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 100	\$ 100	\$ 20	\$ (80)
Intergovernmental	1,580,285	1,609,055	1,242,904	(366,151)
Miscellaneous	75,000	77,320	37,072	(40,248)
Interest	3,000	3,000	1,224	(1,776)
Total Receipts	1,658,385	1,689,475	1,281,220	(408,255)
DISBURSEMENTS				
General Health and Sanitation	20,000	23,000	22,981	19
Roads	1,500,377	1,528,080	1,072,804	455,276
Debt Service		1,700	1,700	
Capital Projects	175,000	175,000	11,084	163,916
Administration	299,392	318,079	127,460	190,619
Total Disbursements	1,994,769	2,045,859	1,236,029	809,830
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(336,384)	(356,384)	45,191	401,575
Other Adjustments to Cash (Uses)				
Lease Proceeds		20,000	20,000	
Transfers From Other Funds	96,246	96,246	40,600	(55,646)
Transfers To Other Funds	(204,285)	(204,285)	(163,200)	41,085
Total Other Adjustments to Cash (Uses)	(108,039)	(88,039)	(102,600)	(14,561)
Net Change in Fund Balance	(444,423)	(444,423)	(57,409)	387,014
Fund Balance Beginning	444,423	444,423	57,732	(386,691)
Fund Balance - Ending	\$ 0	\$ 0	\$ 323	\$ 323

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 106,050	\$ 106,050	\$ 96,394	\$ (9,656)
Charges for Services	2,000	2,000		(2,000)
Miscellaneous		1,461	1,461	
Interest	1,200	1,200	467	(733)
Total Receipts	109,250	110,711	98,322	(12,389)
DISBURSEMENTS				
Protection to Persons and Property	125,750	125,750	75,147	50,603
Administration	38,500	39,961	10,329	29,632
Total Disbursements	164,250	165,711	85,476	80,235
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(55,000)	(55,000)	12,846	67,846
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	5,000	5,000	600	(4,400)
Transfers To Other Funds			(53,900)	(53,900)
Total Other Adjustments to Cash (Uses)	5,000	5,000	(53,300)	(58,300)
Net Change in Fund Balance	(50,000)	(50,000)	(40,454)	9,546
Fund Balance Beginning	50,000	50,000	46,833	(3,167)
Fund Balance - Ending	\$ 0	\$ 0	\$ 6,379	\$ 6,379

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 5	\$ 3	\$ (2)
Total Receipts		5	3	(2)
DISBURSEMENTS				
General Government	3,000	3,000		3,000
General Health and Sanitation	4,150	4,155	3,264	891
Recreation and Culture	197	197		197
Total Disbursements	7,347	7,352	3,264	4,088
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(7,347)	(7,347)	(3,261)	4,086
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	7,247	7,247	3,260	(3,987)
Total Other Adjustments to Cash (Uses)	7,247	7,247	3,260	(3,987)
Net Change in Fund Balance	(100)	(100)	(1)	99
Fund Balance Beginning	100	100	11	(89)
Fund Balance - Ending	\$ 0	\$ 0	\$ 10	\$ 10

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

DISASTER AND EMERGENCY SERVICES FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 16,246	\$ 16,246	\$ 11,126	\$ (5,120)
Miscellaneous	1,506	1,506		(1,506)
Total Receipts	17,752	17,752	11,126	(6,626)
DISBURSEMENTS				
Protection to Persons and Property	43,671	45,671	33,390	12,281
Administration	13,500	15,325	7,227	8,098
Total Disbursements	57,171	60,996	40,617	20,379
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(39,419)	(43,244)	(29,491)	13,753
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	39,311	39,311	25,605	(13,706)
Total Other Adjustments to Cash (Uses)	39,311	39,311	25,605	(13,706)
Net Change in Fund Balance	(108)	(3,933)	(3,886)	47
Fund Balance Beginning	108	3,933	3,878	(55)
Fund Balance - Ending	\$ 0	\$ 0	\$ (8)	\$ (8)

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 175,000	\$ 189,138	\$ 184,976	\$ (4,162)
Licenses and Permits	3,000	3,000	2,490	(510)
Intergovernmental	12,000	12,000	10,000	(2,000)
Charges for Services	250,000	313,995	332,211	18,216
Miscellaneous	3,000	22,066	234,367	212,301
Interest	2,600	2,600	2,236	(364)
Total Receipts	445,600	542,799	766,280	223,481
DISBURSEMENTS				
Protection to Persons and Property	553,561	561,561	499,145	62,416
Debt Service		26,270	84,197	(57,927)
Capital Projects	300,000	553,784	1,389,062	(835,278)
Administration	194,049	111,199	38,079	73,120
Total Disbursements	1,047,610	1,252,814	2,010,483	(757,669)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(602,010)	(710,015)	(1,244,203)	(534,188)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	45,000	80,000	380,462	300,462
Transfers To Other Funds	(45,000)	(80,000)	(36,144)	43,856
Total Other Adjustments to Cash (Uses)			344,318	344,318
Net Change in Fund Balance	(602,010)	(710,015)	(899,885)	(189,870)
Fund Balance Beginning (Restated)	602,010	710,015	1,085,126	375,111
Fund Balance - Ending	\$ 0	\$ 0	\$ 185,241	\$ 185,241

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 325,600	\$ (174,400)
Total Receipts	500,000	500,000	325,600	(174,400)
DISBURSEMENTS				
Social Services	500,000			
Total Disbursements	500,000			
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		500,000	325,600	(174,400)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(500,000)	(325,600)	174,400
Total Other Adjustments to Cash (Uses)		(500,000)	(325,600)	174,400
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final		
RECEIPTS				
Taxes	\$ 200,000	\$ 200,000	\$ 147,393	\$ (52,607)
Intergovernmental	70,000	133,246	126,246	(7,000)
Charges for Services	1,000	1,000	10	(990)
Miscellaneous	2,500	2,500	1,846	(654)
Interest	100	100	2	(98)
Total Receipts	273,600	336,846	275,497	(61,349)
DISBURSEMENTS				
Protection to Persons and Property	309,500	380,553	338,210	42,343
Administration	70,553	102,746	55,563	47,183
Total Disbursements	380,053	483,299	393,773	89,526
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(106,453)	(146,453)	(118,276)	28,177
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	96,453	196,453	150,450	(46,003)
Transfers To Other Funds		(60,000)	(35,000)	25,000
Total Other Adjustments to Cash (Uses)	96,453	136,453	115,450	(21,003)
Net Change in Fund Balance	(10,000)	(10,000)	(2,826)	7,174
Fund Balance Beginning	10,000	10,000	3,107	(6,893)
Fund Balance - Ending	\$ 0	\$ 0	\$ 281	\$ 281

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

HOMELAND SECURITY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 23,000	\$ 31,454	\$ 31,454	\$
Total Receipts	23,000	31,454	31,454	
DISBURSEMENTS				
Protection to Persons and Property	23,000	31,454	8,221	23,233
Total Disbursements	23,000	31,454	8,221	23,233
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			23,233	23,233
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		32,000	8,221	(23,779)
Transfers To Other Funds		(32,000)	(31,454)	546
Total Other Adjustments to Cash (Uses)			(23,233)	(23,233)
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

CARLISLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Disbursements Over Appropriations

Ambulance Fund disbursements exceeded budgeted appropriations by \$757,669. This was the result of the county not budgeting for the capital projects and debt service disbursements associated with the Ambulance Building project.

CARLISLE COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

CARLISLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 438,698	\$	\$	\$ 438,698
Construction In Progress	594,565		594,565	
Buildings	12,115,976	2,010,945		14,126,921
Vehicles and Equipment	2,499,387	188,895	55,304	2,632,978
Infrastructure	3,287,542	296,705		3,584,247
	<u>\$ 18,936,168</u>	<u>\$ 2,496,545</u>	<u>\$ 649,869</u>	<u>\$20,782,844</u>
Total Capital Assets				

CARLISLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 100,000	10-60
Buildings and Building Improvements	\$ 100,000	10-75
Equipment	\$ 100,000	3-5
Vehicles	\$ 100,000	3-5
Infrastructure	\$ 100,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Terry, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Carlisle County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Carlisle County Fiscal Court's financial statement and have issued our report thereon dated April 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Carlisle County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Carlisle County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carlisle County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-001 and 2015-002 to be material weaknesses.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carlisle County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comments and recommendations as item 2015-003.

County Judge/Executive's Responses to Findings

The Carlisle County Judge/Executive's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Judge/Executive's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

April 20, 2016

**CARLISLE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

CARLISLE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

INTERNAL CONTROL - MATERIAL WEAKNESSES:

**2015-001 Weak Internal Controls Over Capital Assets Resulted In The Omission Of Capital Asset Additions
From The County's Schedule Of Capital Assets**

A material weakness exists over the reporting of capital assets of Carlisle County. The county's schedule of capital assets for the period of audit included misstatements of beginning asset balances, failed to recognize all asset purchases that occurred throughout the year, and recognized certain roads at estimated cost rather than historical cost. Furthermore, the county failed to follow its own capitalization policy consistently.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting and to protect assets from misappropriation. Because the county did not emphasize the importance of maintaining an accurate capital asset list and did not devote sufficient time to ensure that the capital asset policy was followed, capital assets were left vulnerable to misappropriation and misstatement.

In order to strengthen the county's internal controls over capital assets, we recommend the county establish a detailed inventory system. This system should include a detailed description of each county asset, an inventory control number or serial number, the date acquired, purchase price, location, date destroyed or sold as surplus, and a brief description of why the asset was discarded. The inventory of county assets should be updated throughout the year as new assets are acquired or old assets are retired. This system should be applied consistently in accordance with the county's capitalization policy. We also recommend the county conduct a physical inspection of the county's assets at the end of each year to make comparisons to the county's list of inventoried assets.

County Judge/Executive's Response: The Carlisle County Fiscal Court is currently in review of our capital assets policy. A new policy will be adopted and put into use by May 30th, 2016.

**2015-002 Weak Internal Controls Over Debt And Debt Service Resulted In The Misstatement Of Outstanding
Debt Balances**

A material weakness exists over the reporting of the liabilities and debt of Carlisle County. Due to a lack of internal controls over debt reporting, the June 30, 2015 outstanding debt balances reported on the 4th Quarter Financial Report were misstated when compared to the actual debt balances confirmed with lenders.

Strong internal controls over outstanding liabilities and debt are necessary to ensure accurate financial reporting. Because the county failed to emphasize strong internal controls over the reporting of liabilities and debt service, these misstatements were able to occur without detection.

We recommend the county strengthen internal controls over the reporting of debt service payments and outstanding liability balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented. We also recommend the county consult with its lenders to verify outstanding debt balances are in agreement with the county's schedule of leases and liabilities. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

County Judge/Executive's Response: The Carlisle County Treasurer has made appropriate changes to ensure a budget amendment is done when debt arises.

CARLISLE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2015
(Continued)

STATE LAWS AND REGULATIONS:

2015-003 The County Failed To Report Receipts And Disbursements Associated With The County's Ambulance Building

In December 2013, Carlisle County entered into a lease agreement with the Kentucky Association of Counties Finance Corporation to finance the construction of a new building (Ambulance Building) for use by Emergency Medical Services and the Carlisle County Extension Cooperative. During fiscal year 2015, the County had receipts and disbursements associated with this construction project that the county failed to include in its annual budget and failed to report on its 4th Quarter Financial Report.

According to KRS 68.020(1) "The county treasurer shall receive and receipt for all money due the county from its collecting officers or from any other person whose duty it is to pay money into the county treasury, and shall disburse such money in such manner and for such purpose as may be authorized by appropriate authority of the fiscal court. He shall not disburse any money received by him for any purpose other than that for which it was collected and paid over to him, and when he pays out money he shall take a receipt therefor. All warrants for the payment of funds from the county treasury shall be co-signed by the county treasurer and the county judge/executive." The county chose to exclude these transactions from the budget process because they believed them to be part of the county's Public Properties Corporation (PPC). However, since the debt was issued in the name of the county, rather than the PPC, they are not considered PPC transactions. Therefore, they should have been included in the county's budget and reported on the 4th Quarter Financial Report, the exclusion of which resulted in the county not being in compliance with KRS 68.020.

We recommend the county start including receipts and disbursements associated with the ambulance building in its budget process and include them on the 4th Quarter Financial Report. If necessary, we also recommend the county make any necessary budget amendments for ambulance building receipts and disbursements that occurred during the 2016 fiscal year.

County Judge/Executive's Response: This project is now completed, however the Treasurer has add this into the budget.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CARLISLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CARLISLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Carlisle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to be "Greg L.", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to be "Susan Bailey", written over a horizontal line.

County Treasurer

